

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-04 INR-07 L-03 ACDA-07
NSAE-00 PA-01 SS-15 PRS-01 SP-02 USIA-06 TRSE-00
EB-07 COME-00 FRB-03 OMB-01 AID-05 DODE-00 NEA-10
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R 141008Z JUL 77
FM USMISSION NATO
TO SECSTATE WASHDC 4837
ALL NATO CAPITALS
AMEMBASSY BELGRADE
AMEMBASSY BERLIN
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
AMEMBASSY MOSCOW
AMEMBASSY PRAGUE
AMEMBASSY SOFIA
AMEMBASSY WARSAW

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BRUSSELS ALSO USEEC; PARIS ALSO USOECD; BELGRADE FOR
USDEL CSCE

E.O. 11652:GDS
TAGS: NATO, EAID, MARR, XH
SUBJECT: ECONADS: REINFORCED MEETING ON COMMUNIST
AID AND TRADE WITH LDCS

REF.: (A) STATE 126233(NOTAL); (B)USNATO 4709(NOTAL);
(C)USNATO A-300

SUMMARY: WELL ATTENDED AND CHARACTERIZED BY ACTIVE
DEBATE, THE ECONADS MEETING ON COMMUNIST AID AND
TRADE ACTIVITIES IN THE LDCS PROVIDED A USEFUL
FORUM FOR EXCHANGE OF ALLIED VIEWS ON MAGNITUDE,
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MOTIVATIONS, AND EFFECTIVENESS OF COMMUNIST ECONOMIC
AND MILITARY ASSISTANCE IN THE THIRD WORLD.

END SUMMARY

1. ATTENDED BY EXPERTS FROM CAPITALS AND RESIDENT MEMBERS
OF THE NATO ECONOMIC COMMITTEE, THE JUNE 16 MEETING
BENEFITED FROM PRIOR CIRCULATION OF CONTRIBUTIONS
FROM THE US (SEE ER77-10296 FOR A MORE DETAILED,

NOFORN VERSION), FRANCE, THE UK, TURKEY AND CANADA -
THE FIRST THREE AS FORMAL ECONOMIC COMMITTEE WORKING
PAPERS, THE LATTER TWO (FOLLOWING BY AIRGRAM) AS INFORMAL
DELEGATION MEMOS. VISITING SPECIALISTS INCLUDED
J. C. POOLE, CANADIAN EMBASSY BUCHAREST; C. FABER ROD,
DANISH FOREIGN MINISTRY; MAJORS B. VIDELIO AND
J. GABRIEL-SABATIER OF THE FRENCH SECRETARIATE
GENERAL DE LA DEFENSE NATIONALE; DR. M. KOLB OF THE
GERMAN FEDERAL INTELLIGENCE SERVICE; MR. G. GIRARDO
OF THE ITALIAN MFA DIVISION DEALING WITH LDCS;
QUENTIN BACH AND MRS. J. P. HAMILTON-EDDY OF THE UK
MOD DIRECTORATE OF ECONOMIC INTELLIGENCE
AND MISS A.W. LEWIS OF THE FCO RESEARCH
DIVISION; AND MRS. ORAH COOPER, OER.

2. THE U.S. EXPERT HIGHLIGHTED THE KEY FINDINGS OF THE
US PAPER ON COMMUNIST MILITARY AND ECONOMIC AID IN 1975-
76, SHE POINTED OUT THAT WHILE ALL AID DECISIONS
ARE MADE WITHIN A POLITICAL CONTEXT, THE MORE PRAGMATIC
CHARACTER OF THE PROGRAM NOTED AT THE 1975 MEETING
(75USNATO 3713) DEVELOPED MORE CLEARLY OVER THE
PAST TWO YEARS. IN GENERAL, SOVIET AID HAS EMERGED
AS A MORE "COMMERCIALLY" ORIENTED PROGRAM. THIS
WAS APPARENT IN THE BROAD, MORE FLEXIBLE ECONOMIC FRAME-
WORK AGREEMENTS NOW APPLIED IN MOST CASES, AND IN THE
VAST EXPANSION OF COMMERCIALLY ASSOCIATED ACCORDS

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WITH KEY COUNTRIES. SOME OF THESE HAVE AID COMPONENTS
(AND RANGED UPWARDS OF \$10 BILLION, SIGNED
OR UNDER NEGOTIATION IN 1976). SIMILAR GENERALIZATIONS
APPLY TO SOVIET MILITARY AID WHICH YIELDED
THE RUSSIANS SOME \$1.5 BILLION OF HARD CURRENCY LAST
YEAR AND PUT THEM INTO THE ARMS MERCHANT CLASS.
(THE NEW VALUE SERIES ON MILITARY SALES WAS
EXPLAINED).

3. RESPONDING TO THE US PRESENTATION, THE FRENCH
EXPERTS PUT FORTH DETAILS ON RECENT SOVIET EFFORTS IN
AFRICA AND NOTED THE LIMITED NATURE OF THE LATTER'S THIRD
WORLD PENETRATION THROUGH ECONOMIC (AS AGAINST MILITARY)
AID. THE OPPORTUNISTIC CHARACTER OF RECENT SOVIET
MILITARY VENTURES WAS CITED, AND CONCURRED IN BY OTHER
REPS. THE FRENCH ALSO CALLED ATTENTION TO A LARGE INCREASE
IN EAST GERMAN PRESENCE IN THE THIRD WORLD.

4. THE UK SPECIALIST ON ECONOMIC AID (BACH) TOOK SERIOUS
EXCEPTION TO THE US PRESENTATION, BOTH AS TO CONTENT AND
METHODOLOGY. UNDER QUESTIONING CONCERNING LOWER UK
ESTIMATES HE ADMITTED TO LACK OF KNOWLEGE OF SEVERAL MAJOR
SOVIET CREDITS (INCLUDING THOSE TO SYRIA AND IRAQ) WHICH

HAD BEEN FACTORED INTO THE US CONCLUSIONS. THE BRITISH CHALLENGED THE USE OF TRADE RESIDUALS AS A BASIS FOR CHECKING SOVIET MILITARY EXPORT PRICES, CONTENDING THAT OTHER ELEMENTS IN THESE RESIDUALS REDUCE THEIR VALIDITY. ATYPICALLY THE UK EXPERT FREQUENTLY EMPLOYED SARCASM AND DERISION IN HIS INTERVENTIONS AND DETRACTED FROM THE OTHERWISE EXCELLENT ATMOSPHERE OF THE MEETING.

5. DURING A REVIEW OF THE COMMUNIST PROGRAMS FROM THE STANDPOINT OF THE TARGET LDCS, THE US EXPERT SUGGESTED THAT ON BALANCE THEY MUST BE RATED A SUCCESS OR THE MAJOR

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ALL NATO CAPITALS
AMEMBASSY BELGRADE
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RECIPIENTS WOULD NOT CONTINUE TO SEEK AND ACCEPT SUCH AID. SHE NOTED SUCH FAVORABLE ELEMENTS (FROM RECIPIENT VIEW) AS SUPPORT FOR THE PUBLIC SECTOR, DEVELOPMENT OF AN INDUSTRIAL BASE CONSIDERED ESSENTIAL BY LDCS (CONTRASTED WITH THE AGRICULTURAL EMPHASIS MORE COMMON IN WESTERN AID), AND A MORE READY OPPORTUNITY FOR LDC EXPORTS TO SOVIET BLOC COUNTRIES IN REPAYMENT OF AID. THE UK EXPERT DISAGREED - CITING THE HISTORIC SERIES OF "BLOC GOOFS" IN THE AID FIELDS, - AND TRIED TO SUGGEST A LIST OF ALTERNATIVE PROJECTS "THAT WOULD HAVE BEEN BETTER FOR THE LDCS."

SUPPORTING THE US EXPERT, THE TURKISH ECONAD (BULUKBASI) POINTED OUT ADVANTAGES SOVIET AID HAD FOR HIS COUNTRY, AND THE ITALIAN RECALLED SIMILAR COMMENTS HE HAD HEARD FROM DELEGATES TO THE NON-ALLIGNED CONFERENCE IN COLOMBO. THE FRENCH CONSIDERED SOVIET ECONOMIC AID HAD BUT NEGLIGIBLE

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IMPACT IN AFRICA, BUT ACKNOWLEDGED THE VALIDITY OF THE US REMINDER THAT SUB-SAHARAN ASPECTS OF THIS PROGRAM COMPRISED ONLY SOME 8 PER CENT OF THE TOTAL AND HAD NOT BEEN IN THE CENTER OF SOVIET INTEREST UNTIL RECENTLY.

6. ASSESSING THE EFFECTIVENESS OF SOVIET MILITARY AID THE UK FELT THAT THE "POSITIVE" FACTORS OF LOW PRICE, DISCOUNTS, LIBERAL REPAYMENT TERMS, EQUIPMENT QUALITY, AND SPEEDY DELIVERY WERE OFTEN NEGATED BY PROBLEMS IN LOGISTIC AND PARTS SUPPORT AND SOVIET UNWILLINGNESS TO PROVIDE THE MOST SOPHISTICATED TYPES OF EQUIPMENT: IRAQ AND LIBYA WERE AMONG THOSE DISSATISFIED ON THE LATTER COUNT.

7. WHILE THE GERMAN DELEGATION MIGHT HAVE BEEN EXPECTED TO PRESS FOR A DISCUSSION OF WESTERN EFFORTS TO ENGAGE COMMUNIST COUNTRIES IN THE NORTH/SOUTH DIALOGUE, IT DEVELOPED THAT THE GERMAN EXPERT HAD BUT RECENTLY BEEN ASSIGNED LDC RESPONSIBILITIES AND WAS NOT YET IN A POSITION TO DISCUSS EITHER WESTERN POLICY OR DETAILS OF COMMUNIST OPERATIONS. THE ISSUE AROSE WHEN THE DANISH REP INQUIRED WHETHER THERE WOULD BE A REVIEW OF THE CANADIAN PAPER (REPRODUCING AN INFORMAL "THINK PIECE" PREPARED FOR THE ALLIED POLICY ADVISORY GROUP (APAG) MEETING IN ISTANBUL). SINCE NO DELEGATION WAS INSTRUCTED ON THIS ASPECT, THE ISSUE WAS NOT PURSUED. BENNETT

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